



GST IN ERA OF DIGITIZATION: ISSUES AND ITS IMPLEMENTATION DIFFICULTIES

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Abstract

Goods and Services Tax devotedly known as GST was introduced on 1st July, 2017. The major purpose of incorporating GST was to digitize indirect tax compliance, to make the process simpler and attain an effective rise in the collection of tax. GST was implemented on the notion of “One Nation, One Tax”. This single indirect tax has subsumed many indirect taxes of center and states. The process of digitization in India had begun with the spreading out of digital payments. GST has been recognized as one of the most revolutionary digitization brought about by the indirect tax regime. The digitization of tax compliances was first implemented with direct taxes. Later on, GST was brought about to digitize and unify the indirect tax system. There still exist certain issues and difficulties in implementation of GST effectively. This paper shall be an attempt to find out such issues and implementation difficulties.

Key Words: GST, Indirect Taxes, Direct Taxes, Indian Taxation System, Tax reform, Digitization

INTRODUCTION:

It is an indubitable reality that Indian indirect tax regime was highly scrappy before the hurling of Goods and Service Tax (GST). Centre and States were taxing goods and services differently and were suffering from

various hitches. Moreover, there were multiple taxes before the introduction of GST like Central Excise Duty, Service Tax, VAT, CST, Purchase Tax, Entertainment Tax and the list goes on.

Additionally, there was complex procedures and diversity in rules and regulations which led to heavy compliance burden on the taxpayers. Moreover, imposition of tax-on-tax (technically termed as 'cascading effect') was another serious concern.

GST AND DIGITIZATION:

To overcome all such operational difficulties and to achieve the goal of ease of doing business by digitalizing the whole indirect tax system, GST has been introduced on 1st July, 2017. On this historic occasion, in his rolling speech on launching of GST, Honorable Prime Minister Shri Narendra Modi has emphasized on India being digital by saying "GST is the taxation system of New India; of the Digital India."

GST was introduced to have a significant improvement towards a comprehensive indirect tax reforms in the country from a scratch. India is democratic republic and only the third country in the world after Brazil and Canada to follow a federal tax structure which includes the stake of both the Central and State-level Governments. Initiation on integrated tax system in form of GST has given India a world class tax system and has improved tax collections significantly. GST was expected to create a business friendly environment with introduction of digitization in Indirect Tax System.

The GST Act was visualized to reap the power of technology to make the procedure of tax levying and collection more user-friendly so that the level of unintended non-compliance could be brought down on one hand and the monitoring of tax evaders can be done efficiently on the other.

GST was structured to be technology-driven so that there is less scope for compliance issues, tax evasion, and corruption and to enhance the user experience for both the taxpayers and tax officers. An effort has been made to make tax administration digitalized under the GST regime and coverage of some path breaking innovations such as e-Way Bill, e-Invoice and e-Payments which have transformed the indirect taxes compliance ecosystem completely. The GST regime witnessed systematic digitalization of the entire GST ecosystem flooring the way to a digital economy.

GSTN:

The Central and State Governments have jointly inaugurated Goods and Services Tax Network (GSTN). It is launched as nonprofit, privately owned structure to provide IT infrastructure and services to Central and State Governments, tax payers and other stake holders. GSTN has been working on developing a state-of-the-art comprehensive IT infrastructure including the common GST portal has been designed to provide both frontend and backend services.

It has been developed to provide the one stop solution for all GST related compliance requirements namely - registration, issuing e-Invoices to help in tracking tax credit, generating e-Way bills for easy movement of goods

across the country, claiming Input Tax Credit, making tax payments, furnishing returns, filing refund claims, all processes relating to compliance verification by the tax officers and online mechanism for dispute resolution.

In form of GSTN, an undisputed effort has been made as a part of Digital India to provide a strong technological Infrastructure and Service back bone which enables the gathering, processing and exchange of information amongst various stakeholders like taxpayers, States and Central Governments, Accounting Offices, Banks and RBI.

Digitalization of GST ecosystem has been a massive achievement and has worked efficiently and the erstwhile tax regime comes nowhere near if we are comparing the two on equal footings.

While the GSTN provides different front-end services to all taxpayers and acts as medium between the Government and the taxpayers, the Central government (Central Board of Indirect Taxes and Customs) and the State GST authorities were given the option either to develop their own Applications to process data as a back end operation or to avail of the back end services provided by the GSTN.

Accordingly, the CBIC has developed and hosted the back end application which is called Automation of Central Excise and Service Tax – GST popularly known as ACES-GST. ACES-GST is a digitally robust and user-friendly system being used by the CBIC departmental officials to effectively administer GST, while ensuring protection to the sensitive commercial data of tax payers by implementing best security measures.

In addition to that, Directorate General of Analytics and Risk Management (DGARM) was established in 2017, under CBIC, Government of India, to utilise internal and external data sources for data mining and analysis to generate outputs to bring down the numbers of unscrupulous ways of tax evasion and to augment generation of departmental revenue. It has two GST verticals - Business Intelligence & Analytics (BIA) and Risk Management Centre for GST (RMC-GST).

CBIC has also initiated to get upon a new project named ADVAIT (Advanced Analytics in Indirect Taxation) in 2018 to leverage the capabilities of big data and advanced analytics to transform Enterprise Data Warehouse into a next generation data platform for improved decision-making, with the threefold objective: 1) enhancing indirect tax revenue, 2) increasing taxpayer base and 3) supporting data-driven tax policy formulation.

All such end-to-end digitalized processes on unified platforms help in keeping all financial and accounting documents digital. At the same time, it offers a clean reference trail for audits, and ultimate assurance to businesses to get clear visibility into the amount of tax to be paid. Moreover, users such as dealers, vendors, distributors, banking partners etc. can seamlessly get access ensuring all functional departments of establishment work only in a unified and unbroken manner with detailed transactions history being automatically captured. This results in 'Ease of doing Business' by several notches and eliminates needless duplication and endless paperwork.

On 1st July, 2022 GST has turned into 5 and it has been claimed by Government that innovative and digital solutions brought during the span of 5 years have actually made GST a “Good and Simple Tax”. In the span of 5 years or so the GST regime witnessed systematic digitalization of the entire GST ecosystem paving the way to a digital economy.

Initially, there were a lot of hesitations among taxpayers and tax officials about GST being a digital tax system, hard to learn and follow. For the taxpayer, it meant a complete reorientation of business processes from the manual or paper mode to digital mode. For the tax officials, it meant a total refurbishment of the statutory functions and the manner in which a tax administration runs i.e. from keeping register and recording of all the transactions to digitally assessing the reports generated.

To match the pace with the changes that GST has brought, National Academy of Customs, Indirect Taxes & Narcotics (NACIN), in coordination with State Training Academies, imparted training to almost all the officers of the Centre and the State governments. The trainings are continuous and on-going to help the officers keep pace with changing laws, procedures and technology.

However, the disinclination was somewhat true in nature as for a country like India, lack of robust IT infrastructure to digitalize the process of GST is considered as inevitable pain.

OTHER DIGITAL INSERTIONS TO IMPROVE GST COMPLIANCES INCLUDE:

1) Smart HSN Search

An Artificial Intelligence & Machine Learning based functionality for searching the notified code of goods and services (called HSN) on the basis of commonly used names and description of those goods and services in trade and industry.

2) Matching Tool

An automated matching tool for traders to reconcile their own purchase register with the system generated GSTR-2B and to ensure that taxpayers do not make mistakes in filing their returns.

3) Nil filing by SMS

An option to file Nil returns by sending a simple SMS for smaller taxpayers.

4) Enhancement in GSTR-1

Technology and process improvements to speed up the processing time by removing redundant steps from the earlier filing process and creation of a more user-friendly interface.

5) Communication Tool on the GST Portal

A facility for enabling the taxpayers, i.e., suppliers and recipients, to communicate with one another, which allows the recipients (buyers) to intimate their suppliers (sellers) of any invoice which is not included by supplier while uploading their outward supply details.

From an era of pre-authenticated excise invoices to electronic invoices and real-time reporting of transactions under GST, a paradigm shift has taken place in the shapes of document management. The catalyst in this journey has been technology driven digitalization.

However, even after mammoth efforts of Government to streamline digitization of GST administration, issues and implementation difficulties have not been completely wiped out.

ISSUES AND IMPLEMENTATION DIFFICULTIES:

GST was designed and structured as a destination-based tax to replace the erstwhile origin-based taxation. It follows a multi-stage collection mechanism. In this, tax is collected at different stages and the credit of tax paid at the previous stage (popularly known as Input Tax Credit) is available as a set off at the next stage of transaction. GST aimed to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level. However, implementation of destination-based regime using technological arms in GST from an origin-based taxation system in pre-GST era posed challenges of its own.

In order to ensure uniformity in law, procedures and tax rates, GST Council was set up as per provisions contained in Article 279A (1) of the amended Constitution of India, with representation of both the Centre and the States. GST Council took a proactive and dynamic approach and held regular meetings for addressing these issues, resulting in a number of changes in GST laws and procedures and issuance of various notifications and circulars. However, issues are in pipeline as it is reflected in the number of GSTC meets - counting to 47 meetings till date, to mull the operational issues and to streamline the business and administrative difficulties.

The other issues and implementation difficulties are:

(1) GSTR 2A Availability

It is not possible to download annual GSTR 2A but it has to be viewed in monthly time frame known as read only return, this has posed difficulties to match the books of accounts with 2A returns. Comply of Rule 36(4) on a mandatory basis also creates now a problem.

(2) GSTR 3B Issues

Under this type of return, no modification or amendment facility is made available. Apart from that if the changes are to be made then there is a long period of one month for the amendment making it an interest liability issue.

(3) Issues in TRAN 1 form

There are issues in the Trans 1 notice in Form 603 as it is now sent by the department to everyone making it troublesome for the real taxpayers. As the notice requires all the previous records to be made available making it a tiresome issue for the taxpayer to provide the details again and again.

SOME OTHER IMPORTANT GST ISSUES:

Below is the list of other important issues continuously faced by traders and business houses such as E-waybill, technical glitches and much more.

(1) Pertinent Issues for Small Traders

GST implies additional operational costs for small traders and business houses. In a developing country like India, not all SMEs will be able to afford the cost of computers and accountants required to implement GST (to make bills and file tax returns).

(2) E-way Bill and Interstate Trade

The day when the Finance Budget 2018 was being introduced to the Lower House, the lethargic GST network turned to be a major spoilsport and February one turned out to be a breaking point for the upbeat government. Immediately e-Way bill was rolled back. The crumbling GST network has been in the spotlight from the very beginning and it continues to harvest unwanted criticism and public grievances.

The sloppy GSTN raises serious concerns over the Government's claim of a digital powered economy. This is more surprising in nature because GSTN is managed by one of the premier Information Technology service providers company Infosys. In addition to that, the E-way bill network mechanism was managed by the recognized National Informatics Centre.

(3) Evaders Jackpot

The consistent policy rollbacks and amendments, powered by the glitch of GST Network, have enabled massive tax evasion. The increased pool of registered taxpayers has had little but no impact on revenue generation. A major headache is, however, the mismatch between initial and final returns filed by taxpayers. The estimated mismatch reported in GSTR-1 and GSTR-3B results in millions of rupees. The discrepancies and e-Way bill failure demand that the GST Council now needs to take rigorous measures to tackle the menace of tax evasion through under-invoicing.

(4) GST and Fiscal Fractures

The GST revenue shortfall promises large dents in the Centre and states' fiscal applectart. The Centre and State budgets will be pegged down by the gap in Tax revenue. The common man will find himself on the receiving end if such a gap in revenue continues. The fall in revenue has further made states apprehensive about bringing petroleum products and real estate under the GST ambit.

(5) Adapting to The IT Ecosystem is Hard

It will be unfair to expect small-scale business firms to make the transition to an online IT platform and expect no errors in return filing. It is an arduous task for the majority of our working population which has little hands-on experience with IT solutions. The cost of SRP deployment is also a major concern for micro-small-medium scale enterprises.

(6) Curbing of Anti-Profitteering Activities – A Myth

For a frictionless and less burdened GST, the government is looking to shore up revenues by taking stern measures against tax evaders and other business firms involved in anti-profitteering activities. However, after massive correction and updates in GST portals, payers with dubious mindfulness have found loop holes in one or the other form in order not to give away tax to government and take undue advantage by claiming bogus Input Tax Credits.

CHALLENGES FACED BY CAs AND GSTPs UNDER GST:

The roll-out of the Goods and Services Tax Act (GST) in India is followed by the beginning of online GST registrations and e-filing of GST Returns. Among regular amendments and digitalization of tax-related tasks, Chartered Accountants and GSTPs are constantly coming across various challenges that vary from using the online GST mechanism to the alignment of their books and records to meet the new GST requirements. This led to the investment of increased efforts and time by CAs and GSTPs due to incorporation of details such as customer's address and GST Number, HSN Code (Harmonized System of Nomenclature) for products and SAC Code (Services Accounting Code) for services in the invoices and issuance of documents such as a Debit note, Credit note, Receipt Vouchers, Bill of Supply & E-Way Bill under the various circumstance.

The administrative work of CAs and GSTPs has also increased due to mandatorily filing of several returns, based on the constitution and the sales turnover of the business. Besides a CA has to manually furnish details and enter all invoices and bills into different tools or company's software or spreadsheet to adhere to the GST mechanism, followed by the creation of GST reports, cross-verification of company's purchases, sales and ITC details, correction of mismatches and finally upload of information to Government's GST portal.

RISE IN E-WAY BILL GENERATION BUT DELAY IN CLEARANC OF GST AND CUSTOM REFUNDS

E-way bill or Electronic-way bill is a document introduced under the GST regime that needs to be generated before transporting or shipping goods worth more than INR 50,000 within state or inter-state. There is a rise in the e-way bills generated, but it is yet to pick up the pace. Issues like each invoice/delivery challan shall be considered as one consignment and therefore for each invoice, one e-way bill has to be generated irrespective of the same or different consignors or consignees, no modification in generated e-way bill and fresh generation of e-way bill for any smallest correction along with cancellation of old within 24 hours are few amongst others which needs to be taken care of.

CONCLUSION:

For any system to thrive, a robust dispute resolution mechanism is must. However, in recent past, the country has witnessed so many contrary advance rulings on the similar issue, thereby creating confusion and chaos amongst the taxpayers. Hence, it is absolutely necessary that a centralised authority for advance rulings is notified on utmost priority to address the issues relating to contrary advance rulings between the states. Besides, absence of GST Tribunals can be regarded as a major setback for the system. “Justice delayed is justice denied” applies perfectly in the current GST scenario. Hence, the focus should be on a time bound, digitalized and robust online dispute resolution mechanism.

Besides, rationalisation of the GST rates, seamless flow of input tax credit for businesses with minimum blockages, clarity on issues surrounding intermediary services, clarity on taxability of virtual digital assets should be on priority list of the government.

At this juncture, it is imperative that items like petroleum products and alcohol for human consumption is included in GST. However, it being a major source of revenue for the State Governments, a larger political consensus needs to be built in to bring these items under the GST fold. In the long run, all the goods and services should be part of the GST regime to make it fully effective and for the nation to obtain its true benefit. In order to achieve ease of doing business, it is imperative that the compliances are kept to minimal to reduce the burden of the taxpayers aligned with simplified laws and procedures and a well-structured administration.

The teething problems under GST should be considered as the inception of process to achieve a success. It is a positive step towards shifting to a formal economy. However, it is commendable to see a flexible and supportive approach from the government. Overall, it has been a good success from nation’s perspective, with continuing issues that need to be addressed in the journey ahead. The government has showcased their positive intent to bring reforms to remove the anomalies and it is anticipated that GST law will attain maturity in times to come.

More than being a digital tax, GST has transformed the entire landscape of how business is transacted in the country. Increase in return filing percentage, gaining popularity of initiatives like e-Way bill, e-Invoice, and

drastic fall in the number of tickets raised on the GSTN platform are strong indicators that this reform has taken roots leading to a multifold increase in taxpayer base within a short-span of five years.

However, the present GST appears to deliver little promises. The GST rollout, it seems, was done with very little homework both at operational and technical ends. For the time being, the GST Council needs to pay heed to grow public as well as taxpayer grievances. It must take note of the fact that policy must be designed to reduce the compliance burden on the taxpayers. Compliance strategies must include compulsory education and assistance programs and risk-based audit programs. It must also run communication campaign that enlightens the various effects as well as benefits of GST amidst businesses, consumers and important intermediaries.

For the government it would be a good idea to engage with industry associations and experts to come up with a clear set of rules and a framework. Such collaboration cannot only help the government to include the digital economy in the current tax base but also to achieve its policy objectives.

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